

Department of Public Health and Human Services	Section: MEDICALLY NEEDED
MEDICAL ASSISTANCE	Subject: Cash Option

**Supersedes:** MA 702-1 (07/01/05)

**References:** 42 CFR 435.831 and ARM 37.82.101, .1107

GENERAL RULE--To establish medically needy coverage, recipients must satisfy their incurment obligations. The incurment obligation is equal to the difference between the 'total countable income' and the appropriate medically needy income level (MNIL). Recipients may elect to satisfy the obligation by making a cash payment to the Department of Public Health and Human Services (DPHHS) equal to the incurment obligation amount.

The amount of the cash payment (i.e., incurment obligation) can be reduced with allowable medical expenses.



**NOTE:** An applicant/recipient who receives VA A&A payments is not eligible to use the cash option to meet an incurment. This is because the VA A&A must be expended on medical expenses prior to any expenses being allowed to offset the Medicaid incurment, VA A&A cannot be paid to DPHHS. If any member of a filing unit receives VA A&A payments, the members of the filing unit must use the medical expense option to meet the incurment.

**PERIOD OF  
ELIGIBILITY**

After the cash payment has been received, Medicaid coverage will be issued for the entire benefit month.

**NOTE:** Because all Medicaid covered expenses incurred during the month will be paid by Medicaid, HCS-454, "Provider Information Memo" (a.k.a., One Day Authorization form) should never be issued for cash option cases.

**REDUCTION OF  
CASH OPTION  
AMOUNT**

Expenses which can be used to reduce the cash option payment amount are those medical services rendered to the recipient or a financially responsible relative, which are recognized under State law (MA 703-1), for which the recipient has liability, and are limited to:

1. Paid or unpaid medical expenses incurred during the three preceding months;

**NOTE:** Medicaid cost share payments (formerly co-payments) may be used to reduce the cash option payment.

2. Health insurance premiums (including Medicare); or

TEAMS: Enter the health insurance premium amount on the INCU screen using the month and 00 for the date. For example, a premium due in January would have a '0100' date of service entered.



3. Non-Medicaid covered medical expenses (e.g., chiropractor) incurred during the coverage month (current month expenses cannot be anticipated).

**NOTE:** Medicaid payable expenses incurred during the coverage month **cannot** be used to reduce the cash payment.

**Do not use the following medical expenses to reduce the cash option payment amount:**

1. Expenses which were incurred while the individual was eligible for Medicaid;
2. Expenses which are the responsibility of a third party (e.g., health insurance company);



3. Medicare premiums if the individual was open for a Medicare Savings Program for that month (other than the initial month of QMB eligibility, when no benefits are paid); or
4. Health insurance premiums which have been determined to be cost-effective by the Third Party Liability (TPL) Unit and are or will be paid or reimbursed by Medicaid.

**CASH OPTION FOR  
RETROACTIVE  
COVERAGE**

So long as the applicant incurred medical expenses which exceed the incurment obligation amount, a cash payment can satisfy the incurment for retroactive benefit months. Medicaid payable expenses incurred during the benefit month **cannot** be used to reduce the cash payment amount.

If bills incurred in the retroactive month have already been used in full to meet future incurments, retroactive coverage cannot be processed.

## PROCEDURE

### Responsibility:

### ACTION

Applicant or  
Representative

1. Complete an approved Medicaid application form, and provide required verification of eligibility.

Eligibility Case  
Manager

2. If eligible as medically needy, determine incurment amount.
3. Provide the applicant with HCS-410, "Medically Needy Declaration of Choice".
4. When the applicant chooses cash option:
  - a. Enter "Y" after cash option on TEAMS INCU screen; INCU cash option defaults to "N."
  - b. Authorize INCU in the "BENEFIT AUTH" field;
  - c. Complete all information on HCS-411, "Medically Needy Cash Option - Fiscal Notification."
  - d. Give the applicant the completed HCS-411 plus a medically needy envelope and instructions to:
    - (i) Make payment payable to **DPHHS** (Department of Public Health and Human Services);
    - (ii) Insert both the payment and the HCS-411 into that envelope and mail it to:

Medically Needy Cash Option  
Fiscal Bureau  
PO Box 4210  
Helena, MT 59604

Fiscal Bureau must receive the HCS-411 along with the payment in the colored envelope to ensure timely processing of the Medicaid coverage.

**NOTE: Cash option payments cannot be used to reduce incurment obligations in future months.**

Fiscal Bureau

5. Compare the personal check against the “Returned Check List”; return the check if payer is on this list.

If a cash option check is returned by a bank, Fiscal Bureau will no longer accept personal checks from the household. Fiscal Bureau will inform the recipients, with a copy to the county, that the personal check privilege has been revoked. Future cash option payments must be made with money orders.

6. Compare payment received with amount due on TEAMS INCU screen.

**NOTE:** Checks and/or money orders received for incorrect amounts will be returned.

7. If the payment equals the “Amount Due” on TEAMS INCU screen, enter the payment amount;



8. Authorize INCU in the “FISCAL AUTH” field;
- a. Medicaid coverage issuance will occur; and
  - b. TEAMS will display a notice situation on NORE showing payment was received.

Eligibility Case Manager

9. Generate system notice (optional).

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